

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7567

BILL NUMBER: SB 512

NOTE PREPARED: Feb 19, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Township Government Provisions.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill has the following provisions.

County Oversight of Township Budgets: The bill provides that the county fiscal body may reduce or modify but not increase the township's budget and property tax levies. It requires an additional appropriation by a township to be reviewed and approved by the county fiscal body.

Excess Balance: The bill provides that when formulating an annual budget, a township in any county must consider:

- (1) the ending balance that will remain in each township fund relative to the budgeted expenditures from the fund; and
- (2) whether the part of the balance in excess of 10% of budgeted expenditures should be used instead of imposing additional property taxes for the ensuing year.

Department of Local Government Finance: It requires the Department of Local Government Finance (DLGF) to consider those factors when reviewing a township's budget, tax rate, and tax levy.

Nepotism: The bill prohibits a relative of a township officer or employee from being employed by the township in a position that would put the relative in a direct supervisory or subordinate relationship with the officer or employee. It provides that a township employee who marries another township employee may not continue in the same position if the employee would have a direct supervisory or subordinate relationship with the employee's spouse. However, it does not require a township employee being terminated or reassigned from any position held by that individual before July 1, 2009.

Effective Date: (Amended) July 1, 2009.

Explanation of State Expenditures: (Revised) *Department of Local Government Finance:* The bill is expected to have minimal fiscal impact for the DLGF when reviewing township budgets, tax rates, and tax levies in order to consider the ending balance and whether a balance in excess of 10% should be used.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The bill could potentially increase costs for counties (except Marion County) by increasing the oversight responsibility of county fiscal bodies to reduce or modify township budgets and to review and approve additional appropriations. Any additional meeting time needed by a county fiscal body to review township budgets will depend on any excess balance in the budgets, familiarity with the township budgets, and the number of townships in the county. However, increases in meeting costs for the county fiscal body may be somewhat offset by efficiencies in a township.

Additionally, the bill could increase costs to townships that have to make changes in personnel due to familial relationships or marriages.

Explanation of Local Revenues: (Revised) Under this proposal, townships and the DLGF must consider the ending balance for a fund when setting budgets, rates, and levies. The townships and DLGF must determine whether the part of the fund balance that exceeds 10% of the budget for that fund should be used to reduce the levy. A review of township budget data from 2008 indicates that 916 townships have projected balances exceeding 10% of the budget appropriation, and the portion of those projected balances that exceeds 10% of the budget appropriation may be as much as \$128.6 M. This amount does not include the school nor child welfare funds that will be eliminated in 2009. However, a portion of these fund balances are contained in cumulative and capital projects funds which would normally show a balance until spent on a project. The table below lists these amounts by fund type.

Budgeted Fund Operating Balances Over 10% of Budget By Fund Type				
	Cumulative/Capital	Debt	Other	Total
Townships	\$26,693,117	\$3,448,102	\$98,424,915	\$128,566,133

State Agencies Affected: DLGF.

Local Agencies Affected: Counties and townships.

Information Sources:

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859.